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U.S. Treasury Dept.

Annual Report, 1951.

of the
Secretary of the Treasury
on the
State of the Finances

For the Fiscal Year Ended June 30, 1951



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Secretary

LETTER OF TRANSMITTAL

TREASURY DEPARTMENT,
Washington, D. C., March 1, 1952.

SIRS: I have the honor to report to you on the finances of the Federal Government for the fiscal year ended June 30, 1951. In particular, I should like to direct your attention to the review of the management of the public debt and related problems contained in my replies to the inquiries addressed to me by the Chairman of the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report, beginning on page 198, and to the information beginning on page 630, which covers Reorganization Plan No. 1 of 1952, providing for reorganization of the Bureau of Internal Revenue, transmitted to the Congress by the President on January 14, 1952.

JOHN W. SNYDER,
Secretary of the Treasury.

THE PRESIDENT OF THE SENATE.
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

III

ACCOUNTING AND REPORTING CHANGES

New fiscal legislation and regulations.—A new and improved basis for Government fiscal procedures was provided for in the Budgeting and Accounting Procedures Act of 1950 (Public Law 784, 81st Cong., approved September 12, 1950). In addition to the budget provisions of the act, part II of title I is the basis for strengthening, improving, and simplifying the accounting, financial reporting, and auditing systems of the Federal Government. The act repeals more than a hundred provisions of existing law, thus clearing from the statute books many obsolete and outmoded requirements. The Annual Report of the Secretary of the Treasury for the fiscal year 1950 contains a copy of the act as exhibit 36, and an explanation of the principal features of the legislation.

Section 115 (a) of the act requires that when the Secretary of the Treasury and the Comptroller General determine that existing procedures can be modified in the interest of simplification, improvement, or economy, with sufficient safeguards over the control and accounting for public funds, they may issue joint regulations providing for the waiving in all or in part of certain requirements of existing law. Under this authority three joint regulations were issued during the fiscal year 1951. (See exhibit 52.) Joint Regulation No. 1, issued on September 22, 1950, provided for direct deposit in the accounts of disbursing officers of all collections representing repayments to appropriations. Joint Regulation No. 2, issued on April 16, 1951, consolidated appropriation warrant requisition and accountable warrant action. Joint Regulation No. 3, issued on June 12, 1951, eliminated the issuance of covering warrants and advancing of funds to disbursing officers with respect to special and trust fund receipts. The first regulation simplified procedures involving the issuance and countersignature of warrants with respect to the deposit and accounting for repayments to appropriations, thus eliminating paper work and delay in making the repayments available for disbursement. The second regulation eliminated accounts on the books of the Treasury and administrative agencies with respect to the unrequisioned amounts of appropriations. The third regulation simplified the procedures for handling special and trust fund receipts, having much the same effect as Joint Regulation No. 1 with respect to repayments to appropriations.

Section 114 (a) of the Budget and Accounting Procedures Act of 1950, requires the Secretary of the Treasury to prepare such reports for the information of the President, the Congress, and the public as will present the results of the financial operations of the Government. It also provides that each executive agency shall furnish the Secretary with such reports and information relating to its financial condition and operations as the Secretary by rules and regulations may require for the purpose of carrying out his central reporting responsibilities. Central Reporting Regulation No. 1, dated June 27, 1951, was the first regulation issued under the above authority and provided for the preparation and submission of reports and other related information regarding foreign currencies which are and can be acquired without payment of United States dollars. (See exhibit 53.) It was the purpose of the regulation to bring together, peri-

odically, information on foreign currencies with respect to acquisition, disposition, balances on hand, and potential acquisition, based on rights which can be exercised under agreements with foreign governments. The regulation was designed to fill the need for complete and coordinated information for use by those concerned with the consideration of dollar appropriations for agencies which are authorized to expend foreign currencies in addition to their dollar appropriations or funds.

Section 1211 of the General Appropriation Act, 1951 (Public Law 759, 81st Cong., approved September 6, 1950), requires the head of each agency to establish by regulation a system of administrative control over the expending of appropriations to avoid the necessity for deficiency or supplemental appropriation and to fix responsibility for violations of law in that respect. The Treasury Department's regulation was issued in Department Circular No. 880, dated January 2, 1951, and was approved by the Director of the Bureau of the Budget on February 12, 1951. (See exhibit 54.) This regulation is designed (a) to restrict obligations or expenditures against each appropriation to the amount of apportionments and reapportionments made for each such appropriation, and (b) to enable each officer or agency head to fix responsibility for the creation of any obligation or the making of any expenditure in excess of an apportionment or reapportionment.

Daily Statement of the United States Treasury.—The format of page 3 of the daily Treasury statement was revised, effective November 1, 1950, to report the following transactions in separate sections: (1) trust accounts, etc. (except investments); (2) investments of Government agencies in public debt securities (net); and (3) net sales and redemptions of obligations of Government agencies in the market. This arrangement shows (1) the amount of trust account receipts and expenditures; (2) the net investment transactions of Government agencies, which previously were reported under several classifications; and (3) the net market transactions of obligations of Government agencies cleared through the special agent accounts of the Treasurer of the United States.

Another change in the statement covered the reporting of collections of employment taxes. Public Law 734, Eighty-first Congress, approved August 28, 1950, changed the basis of appropriating social security employment taxes on employees and employers. Effective January 1, 1951, such taxes, together with withheld income taxes, are paid into the Treasury in combined amounts without separation as to type of tax and are reported in the daily statement under the single caption "Income tax withheld and social security taxes." The amounts of such taxes credited to the Federal old-age and survivors insurance trust fund are based initially on estimates of the Secretary of the Treasury and are later adjusted on the basis of wage records maintained by the Social Security Administration.

A further change effective July 1, 1951, which was developed during the fiscal year, is the reporting of expenditure transactions in accounts representing allocations from various funds appropriated to the President and transfers between departments. Before July 1, 1951, such transactions were reported by and classified under the name of the spending agency. Effective as of that date these transactions are now

MISCELLANEOUS

Exhibit 52.—Treasury Department and General Accounting Office joint regulations under Public Law No. 784, Eighty-first Congress, approved September 12, 1950

No. 1, SEPTEMBER 22, 1950, PROCEDURE FOR HANDLING REPAYMENTS TO APPROPRIATIONS

1. *Purpose.*—Pursuant to Section 115 (a) of Public Law No. 784, the Secretary of the Treasury and the Comptroller General have determined, in the interest of simplification and improvement, that existing procedures with respect to the handling of repayments to appropriations be modified. All collections representing repayments to appropriations which have not lapsed, including reimbursements and refunds, will be deposited directly in the accounts of disbursing officers and will accordingly be immediately available for disbursement. This will eliminate the necessity for the issuance of covering warrants, the requisitioning of funds, and the use of accountable warrants in connection with repayments to appropriations. The procedure outlined hereinafter will be followed for repayments to appropriations received from sources outside the Government.

2. *Types of repayments to appropriations.*—Repayments to appropriations covered by the instructions in this regulation fall within the two general classes defined as follows:

(a) Reimbursements to appropriations which represent amounts collected from outside sources for commodities or services furnished, or to be furnished, and which by law may be credited directly to appropriations.

(b) Refunds to appropriations which represent amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed, including returns of authorized advances.

3. *Accounting for repayments to appropriations.*—The repayments referred to in paragraph 2 of this regulation will be scheduled for credit in the account of a disbursing officer on approved forms, and will be deposited on Treasury Certificate of Deposit Form No. 6599. Such repayments may be scheduled to any date of deposit by him to the credit of his own account or to the credit of any other disbursing officer's account as designated by the administrative agency. The receipted copy of the schedule of collections showing the certificate of deposit number and date of deposit shall constitute acceptable posting media for use by the administrative agency in crediting such repayments in their accounts.

4. *Reporting of repayment transactions on account current.*—Disbursing officers will report such repayments to appropriations in the collection column of the receipt section of the account current for each appropriation account.

5. *Special procedures already established.*—This regulation will not apply to the accounting for repayments to appropriations through the accounts of advances for the Department of Defense and the Department of State. The existing procedure prescribed for these agencies where collections are effected through accounts of advances will be continued.

The procedure for handling repayments to appropriations as outlined in General Accounting Office Accounting Systems Memorandum No. 9, Revised, will continue to be followed where the credits result from charges to other appropriations.

Also, this regulation will not apply to the accounting for repayments to the appropriations available for the payment of the principal of an interest on the public debt so long as there continues in effect the present procedure under which such payments are made.

6. *Effective date.*—The procedures outlined in this regulation are to be effective November 1, 1950.

JOHN W. SNYDER,
Secretary of the Treasury.
LINDSAY C. WARREN,
Comptroller General of the United States.

No. 2, APRIL 16, 1951, PROCEDURE FOR MAKING APPROPRIATED FUNDS AVAILABLE FOR DISBURSEMENT

1. *Purpose.*—Pursuant to Section 115 (a) of Public Law 784, the Secretary of the Treasury and the Comptroller General have determined, in the interest of simplification and improvement, that existing procedures with respect to the requisitioning of appropriated funds by agencies and the advancing of such funds to disbursing officers shall be modified as provided herein. Appropriated funds will be advanced under each separate appropriation head to disbursing officers on the basis of properly executed appropriation warrants except as indicated in paragraph 4 hereof. This will eliminate the requisitioning of funds and the issuance of accountable warrants in connection with funds made available to agencies on appropriation warrants and will result in the discontinuance of certain accounts on the books of the agencies and the Treasury Department.

2. *Method of advancing agency funds to disbursing officers.*—Funds appropriated to agencies will, on the basis of appropriation warrants issued and countersigned, be made immediately available in the checking accounts of appropriate disbursing officers on the books of the Treasurer of the United States. Such funds will be made available by appropriation account as follows:

(a) Agency funds advanced to the Chief Disbursing Officer, Treasury Department. Appropriated funds of agencies to be disbursed or funded by the Division of Disbursement will be made available in the accounts of the Chief Disbursing Officer. Funds will be transferred by the Chief Disbursing Officer to other disbursing officers, authorized to obtain advances through his account, on the basis of requests received from administrative agencies concerned.

(b) Agency funds advanced to disbursing officers other than the Chief Disbursing Officer, Treasury Department. Appropriated funds of other agencies will be made available in the accounts of the disbursing officer of the agency. Where an agency has more than one disbursing officer, the agency will designate the officer whose account with the Treasurer of the United States is to be credited with the total amount of appropriated funds available to the agency and notify the Treasury Department and the General Accounting Office of such designation. The disbursing officer designated will make such transfers of funds to other disbursing officers authorized to obtain advances through his account, as necessary for purposes of the agency.

3. *Conditions under which advances of funds may be withheld or withdrawn.*—In the event of delinquency in the rendition of accounts or for other reasons involving the condition of the disbursing officer's account, within the purview of 31 U. S. C. 78, advances to such officer may be withheld or withdrawn, and in the case of such withholding an appropriation warrant may be issued without authorizing an advance.

4. *Appropriated funds exempted from this regulation.*—This regulation will not apply to the following appropriated funds: (1) those in which the unrequisioned balance is a factor in the computation of interest to be charged or credited; (2) those for the payment of principal and interest on the public debt; (3) those appropriations which are available only for transfer, in the full amount, to some other account on the books of the Treasury; and (4) District of Columbia funds.

5. *Effective date.*—This regulation will become effective May 1, 1951. Any unrequisioned balances of appropriations not exempted by this regulation remaining on the books of the Treasury as of the close of business April 30, 1951, less the reserves established by the Bureau of the Budget pursuant to Section 1214 of the General Appropriation Act, 1951, approved September 6, 1950, Public Law 759, 81st Congress, will be advanced by the Secretary of the Treasury to the appropriate disbursing officer.

JOHN W. SNYDER,
Secretary of the Treasury.
LINDSAY C. WARREN,
Comptroller General of the United States.

NO. 3, JUNE 12, 1951, PROCEDURE FOR HANDLING SPECIAL, TRUST, REVOLVING, AND DEPOSIT FUND COLLECTIONS

1. *General provisions.*—Pursuant to Section 115 (a) of Public Law 784, the Secretary of the Treasury and the Comptroller General of the United States have determined that existing procedures with respect to the handling of special fund and trust fund receipts which are available for expenditure by the collecting agency, be modified. Except as otherwise provided herein, all such special fund and trust fund receipts will be credited directly in the accounts of disbursing officers and will accordingly be immediately available for disbursement. The issuance of covering warrants and the advancing of funds to disbursing officers in connection with such receipts is hereby eliminated; however, these collections will continue to be accounted for as receipts and as amounts appropriated. The Treasury Department will issue appropriation warrants on an annual basis to be countersigned by the Comptroller General confirming the appropriation of such receipts.

The Secretary of the Treasury and the Comptroller General of the United States have determined that covering warrants will be eliminated in connection with certain special fund and trust fund accounts which are in the nature of revolving fund or deposit fund accounts. Collections for credit to accounts of this nature will be credited directly to revolving fund or deposit fund accounts instead of to receipt accounts. Such collections will be accounted for in the same manner as repayments to general, special, or trust fund appropriations in accordance with the procedures set forth in Treasury Department—General Accounting Office Joint Regulation No. 1.

2. *Types of special fund and trust fund receipts.*—Appropriation receipts relating to special and trust fund accounts fall within two general classes described below:

(a) *Available receipts.* Receipts which under law or trust agreement are immediately available in their entirety to the collecting agency as appropriations for expenditure without further action by the Congress. Excluded from this category are receipts to be applied to the retirement of public debt obligations and funds in connection with which the computation of interest charges or credits necessitates the maintenance of accounts for unrequited balances of appropriations on the books of the Treasury.

(b) *Unavailable receipts.* Receipts which at the time of collection are not appropriated, and receipts which are not immediately available for expenditure because (1) further action by the Congress is required or congressional limitation has been established as to the amount available for expenditure; (2) amounts credited to receipt accounts are later to be cleared in whole or in part to other receipt accounts before appropriation warrant action is taken; or (3) the amounts of receipts are appropriated or made available to an agency other than the one making collection.

3. *Accounting for special fund and trust fund receipts.*—All receipts for credit to accounts classified as special funds and trust funds will be accounted for by agencies on a gross basis under receipt account symbols assigned by the Treasury Department. Available receipts will concurrently be accounted for in related special fund or trust fund appropriation accounts.

The available receipts described in paragraph 2a will be scheduled for credit in the account of a disbursing officer on a special form to be prescribed by the General Accounting Office. Such receipts when credited in the accounts of a disbursing officer will be available for disbursement.

The unavailable receipts described in paragraph 2b and the items excluded in paragraph 2a are not affected by this Regulation.

4. *Designation of types of receipts by Treasury Department.*—The Treasury Department will assign receipt account symbols for special fund accounts and trust fund accounts. Announcements will designate those receipts which are to be treated as available. Agencies will be guided accordingly in scheduling collections to disbursing officers.

5. *Conditions under which credits to a disbursing officer may be withheld or balances to his credit may be withdrawn.*—In the event of delinquency in the rendition of accounts or for other reasons involving the condition of the disbursing officer's account, within the purview of 31 U. S. C. 78, credits to such officer may be with-

held and balances already to his credit may be withdrawn irrespective of the source of such credits or balances.

6. *Effective date.*—This regulation will be effective July 1, 1951.

JOHN W. SNYDER,
Secretary of the Treasury.

LINDSAY C. WARREN,
Comptroller General of the United States.

Exhibit 53.—Central Reporting Regulation No. 1, approved June 27, 1951, under the Accounting and Auditing Act of 1950 (Part II of Public Law 784), governing reports on foreign currencies which are and can be acquired without payment of United States dollars

AUTHORITY FOR REGULATION

1. This regulation is issued pursuant to Section 114 (a) of the Accounting and Auditing Act of 1950 (64 Stat. 836), which authorizes the Secretary of the Treasury to require from executive agencies reports and information for the effective performance of his responsibility for preparing such reports for the information of the President, the Congress, and the public as will present the results of the financial operations of the Government.

SCOPE OF REGULATION

2. The requirements of the regulation pertain to the preparation and submission of reports and related information regarding:

(a) Foreign currencies which can be acquired by the United States Government, without payment of United States dollars, by exercising rights under agreements with foreign governments;

(b) Foreign currencies which are acquired by the United States Government, from any source, without payment of United States dollars; and

(c) Currencies belonging to foreign governments which, by agreement, are given into the custody of agencies of the United States Government to be expended on behalf of such foreign governments.

PURPOSE OF REGULATION

3. The reports and related information to be submitted under the regulation are intended to bring together periodically information on the foreign currencies, indicated in paragraph 2, with respect to acquisition, disposition, balances on hand, and potential acquisitions based on rights which can be exercised under agreements with foreign governments. At present there is no complete and coordinated information of this character from the standpoint of the United States Government as a whole. Such information is needed centrally for use by those concerned with the consideration of dollar appropriations for agencies which are authorized to expend foreign currencies in addition to their dollar appropriations or funds. The information is needed centrally also by those concerned with policy aspects of utilizing to the best interest of the United States Government, foreign currencies which are and can be acquired without payment of United States dollars. With these purposes in view, reporting requirements under the regulation must be designed to take care of certain special needs of the Bureau of the Budget as well as to provide an adequate basis for the preparation of central reports by the Treasury Department for the use of the Congress and others concerned.

ISSUANCE OF INSTRUCTIONS

4. Reports and related information under the regulation shall be prepared and submitted by executive agencies in accordance with procedural instructions to be issued by the Fiscal Assistant Secretary of the Treasury within the framework of the requirements of the regulation. Such instructions shall have the same force and effect as the regulation.